

Sustainability, Renewable Electricity & Climate Change: 3 Things Companies Should Know

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Sustainability has rocketed up company agendas worldwide with growing consumer, shareholder and government focus on how business activities affect the environment. Here are three things businesses should know about our shared responsibility for the planet.

1. Sustainability has taken center stage worldwide

Not so long ago, stumbling upon a corporate sustainability report would have been something noteworthy – not unheard of, but something you didn’t see every day.

Now 96 percent of the world’s 250 largest companies publish sustainability reports, up from 35 percent 20 years ago, KPMG said after a 2020 survey*¹ of 5,200 companies in 52 countries and jurisdictions.

After gaining momentum for years, the sustainability conversation in business has reached a crescendo: The *Harvard Business Review* christened 2021 as the year sustainable business went mainstream, particularly with regard to the environment.

“Virtually all of the world’s largest companies now issue a sustainability report and set goals; more than 2000 companies have set a science-based carbon target; and about one-third of Europe’s largest

public companies have pledged to reach net zero by 2050,” the magazine reported*².

The shift in boardrooms coincides with changing consumer and shareholder attitudes. The share of Americans who see climate change as a major threat rose from 44 percent to 60 percent from 2009 to 2020, according to Pew Research*³. In a global survey, a median of 67 percent of people in 23 countries saw climate change as a major threat in 2019, up from a median of 56 percent six years earlier.

Governments worldwide have acted.

In the U.S., to cite just one example, the Securities and Exchange Commission has proposed sweeping changes that would require public companies to disclose more information related to climate change, including greenhouse gas emissions.

The U.S., EU and Japan plan to reduce greenhouse gas emissions and increase renewable-electricity use to achieve net-zero emissions goals by 2050.

2. Companies often turn to renewable electricity to meet sustainability goals

All companies use electricity. Consequently,

*1 <https://assets.kpmg/content/dam/kpmg/xx/pdf/2020/11/the-time-has-come.pdf>

*2 <https://hbr.org/2021/12/sustainable-business-went-mainstream-in-2021>

*3 <https://www.pewresearch.org/fact-tank/2020/04/16/u-s-concern-about-climate-change-is-rising-but-mainly-among-democrats/>

pro-curing renewable electricity is a common initial step toward meeting sustainability goals, a practice which is often implemented through Power Purchase Agreements (PPAs).

In 2021, corporations bought a record 31.1 GW of renewable electricity with PPAs, up nearly 24 percent from the previous year, and 137 corporations in 32 countries announced renewable energy contracts, research company BloombergNEF reported*4.

Corporate buyers should know, however, that purchasing renewable electricity does not guarantee meeting sustainability goals. Often, entering into a PPA with a project developer is a key milestone and prerequisite for that developer to lock in financing and begin construction of a renewable-electricity project. That project must be completed in a timely manner and at a cost commensurate with the parties' expectations when the PPA was entered into.

This year has brought increasing focus on associated risks, including supply chain disruptions, increasing commodity prices and interest rates, unavailability of equipment and contractors, and the imposition of tariffs and changes in import policies.

3. Technological innovation is critical on the journey to a healthier planet

Transitioning to renewable electricity is important, but technological innovation will pave the path to net-zero. Achieving enduring progress requires a broad approach, with renewable electricity as one of many elements.

At Orrick, we see this expansive approach to decarbonization through our work worldwide. From advising founders and venture capital investors, to working with many of the world's largest infrastructure funds and multinational corporations on investments in growth-stage companies seeking to commercialize emerging technologies, capital is flowing into "energy tech".

Governments are encouraging these technologies. The EU plans to have up to 6 GW of installed renewable hydrogen production in the next few years, with plans to increase that dramatically by 2030. The U.S. offers tax credits for companies that capture carbon, and a recent infrastructure law includes several billion dollars for carbon capture and storage and billions more for electric-vehicle charging stations.

That hum of activity highlights the pivotal role of emerging tech on the net zero pathway. More broadly, it reminds me of the power of technology to improve lives, and the wisdom of a comprehensive approach to tackle problems that might otherwise seem intractable.

<Biography>

Blake H. Winburne is a partner who leads the Energy & Infrastructure group at Orrick, a global law firm focused on technology and innovation, energy and infrastructure and finance.

(企業概要)

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テクノロジー・イノベーション、エネルギー・アンド・インフラストラクチャー、ファイナンスの各分野を中心に、グローバルにリーガルサービスを提供しており、クロスボーダー案件に関する広範な経験と高度な専門性を有する各国の弁護士が、日本を含む世界中のオフィスと連携しながら、トランザクション、訴訟、コンプライアンスに関する将来を見据えた商業的で専門性のある法的アドバイスやサポートの提供をしています。

当該巻頭言の執筆者であるWinburne氏が率いるエネルギー・アンド・インフラストラクチャー部門においては、再生可能エネルギー、従来型エネルギー、石油・ガスなど、あらゆるエネルギー分野を取り扱っており、世界大手のスポンサーやデベロッパー、新規市場参入企業、銀行、ファンド、政府機関などを代理し、世界のインフラ市場のパイオニア的存在として、多くの実績を残しています。

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*4 <https://about.bnef.com/blog/corporate-clean-energy-buying-tops-30gw-mark-in-record-year/>